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# HOUSE RESEARCH ORGANIZATION

## daily floor report

Wednesday, August 02, 2017

85th Legislature, First Called Session, Number 11

The House convenes at 10 a.m.

Six bills and one joint resolution are on the daily calendar for second-reading consideration today. They are listed on the following page. The House also is scheduled to consider two bills on third reading.

The following House committees were scheduled to hold public hearings today: Environmental Regulation in Room E1.026 at 9 a.m.; Criminal Jurisprudence in Room E2.014 at 10:30 a.m. or on adjournment; Land and Resource Management in Room E2.026 at 10:30 a.m. or on adjournment; Ways and Means in Room E2.012 at 10:30 a.m. or on adjournment; and Agriculture and Livestock in Room E1.010 at 1 p.m. or on adjournment.

The House Elections Committee is scheduled to hold a formal meeting in Room 1W.14 at noon or on adjournment.



Dwayne Bohac  
Chairman  
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## **HOUSE RESEARCH ORGANIZATION**

### **Daily Floor Report**

**Wednesday, August 02, 2017**

**85th Legislature, First Called Session, Number 11**

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SUBJECT: Allowing property tax exemptions for Purple Heart recipients and spouses

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — D. Bonnen, Bohac, Darby, Murphy, Murr, Raymond, Shine,  
Springer, Stephenson

0 nays

2 absent — Y. Davis, E. Johnson

WITNESSES: For — (*Registered, but did not testify*: Alexie Swirsky)

Against — Hilary Shine, City of Killeen; (*Registered, but did not testify*:  
Jerry Bark, City of Harker Heights; James Popp, Tax Equity Council;  
Dana Blanton)

BACKGROUND: Texas Constitution, Art. 8, sec. 1-b(i) authorizes the Legislature to provide  
a partial or total residence homestead exemption to a 100 percent disabled  
veteran.

Sec. 1-b(j) allows the Legislature to provide a partial or total residence  
homestead exemption to the surviving spouse of a 100 percent disabled  
veteran, provided that the spouse had not remarried, the property was the  
spouse's residence homestead at the time of the veteran's death, and the  
property remained the spouse's residence homestead.

Art. 8, sec. 2(b) allows the Legislature by general law to exempt property  
owned by a disabled veteran or surviving spouse and minor children from  
property taxes. A veteran with a disability rating of at least 10 percent is  
entitled to an exemption, ranging from \$5,000 to \$12,000, depending on  
disability rating, age, and type of disability.

DIGEST: HJR 20 would amend the Texas Constitution to allow the Legislature to  
provide a partial or total residence homestead exemption to a Purple Heart  
recipient.

It also would allow the Legislature to entitle the surviving spouse of a Purple Heart recipient who qualified for the exemption to a partial or total residence homestead exemption, provided the surviving spouse had not remarried, the property was the spouse's residence homestead when the Purple Heart recipient died, and the property remained the spouse's residence homestead.

If the surviving spouse moved to a new homestead after receiving an exemption, the Legislature also could entitle the spouse to an exemption on the new homestead equal to the dollar amount of the exemption for the previous homestead in the last year in which it was received.

The Legislature by general law could define "Purple Heart recipient" and prescribe additional eligibility requirements for the exemption.

The ballot proposal would be presented to voters at an election on November 7, 2017. The proposal would read: "The constitutional amendment authorizing the legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of a Purple Heart recipient or the surviving spouse of a Purple Heart recipient."

If approved by voters, the amendment would take effect January 1, 2018, and would apply to a tax year beginning on or after that date.

**SUPPORTERS  
SAY:**

HJR 20 would signal that Texas honors the sacrifices of its Purple Heart recipients and families by extending the same well deserved property tax exemption available for 100 percent disabled veterans and their surviving spouses to Purple Heart recipients and their surviving spouses. Many veterans who received the Purple Heart were seriously wounded serving the country, and those who are not 100 percent disabled deserve property tax relief for their service beyond the exemption amounts available for partially disabled veterans, which are capped at \$12,000 under current law.

Although the cost to the state or local communities would be worthwhile, exempting Purple Heart recipients would not inordinately burden military

communities. The enabling legislation, HB 72 by Bohac, would reduce the impact to certain communities by adding the exemption into the calculation for eligibility to receive state assistance to make up for a portion of the revenue lost to homestead exemptions for certain veterans. Only about 15,000 Purple Heart recipients would be eligible to receive the exemption, whereas 68,000 100-percent disabled veterans and spouses already receive the full homestead exemption.

**OPPONENTS  
SAY:**

HJR 20 would place a requirement on local governments that could disproportionately harm military communities by allowing for the erosion of local government property tax bases. Exempting a specific category of people, regardless of how deserving they may be, also results in an increased tax burden on other homeowners.

**NOTES:**

HB 72 by Bohac, the enabling legislation for HJR 20, is set for second-reading consideration on today's calendar.

According to the Legislative Budget Board, HJR 20 would have no fiscal implication to the state other than the cost for publication of the resolution, which would be \$114,369. Any additional fiscal implication would be attributable to the resolution's enabling legislation.

SUBJECT: Property tax appraisals, appeals, notices, and rate reporting

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — D. Bonnen, Bohac, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Y. Davis, E. Johnson

WITNESSES: No public hearing

DIGEST: HB 32 would amend certain provisions relating to procedures for appraisal review board (ARB) hearings, eligibility requirements for ARB members and arbitrators, notices delivered to taxpayers, and reporting requirements for appraisal districts and taxing units.

**ARB hearing procedures.** Under the bill, ARBs would be prohibited from increasing the protested valuation of a property beyond the initial appraised value. The bill also would remove the authority of taxing units to challenge the appraised value of a category of property at ARB hearings.

HB 32 would prohibit an appraisal district from introducing into an ARB hearing as evidence information requested by the taxpayer at least five days before the hearing if the information was not delivered by the appraisal district to the property owner before the hearing.

Any information requested by the property owner could be provided electronically by agreement, though a taxpayer could request a paper copy. While current law allows an appraisal district to charge for copies provided in connection with a protest, the bill would prohibit the chief appraiser from charging for paper copies of documents.

HB 32 would place limitations on certain evening and weekend hearings held by an ARB and would require an ARB to hold at the owner's request

consecutive hearings on up to 20 properties with the same property owner on a single day, subject to certain notice and procedural requirements.

The bill would provide that a determination, decision, or other action by an ARB could be made by a majority of the members present. The bill would prohibit the requirement of more than a majority of the members of the board or panel for concurrence.

**Special ARB panels.** For appraisal districts in a county with a population of at least 1 million, the ARB would be required to establish special panels to conduct protest hearings on property that the district had appraised at a value of \$50 million or more that also was:

- commercial real or personal property;
- real or personal property of a utility;
- industrial or manufacturing real or personal property; or
- multifamily residential real property.

Special panels also could hear randomly assigned protests, in addition to those that meet the above qualifications.

Special ARB panel members would be required to have at least one of several credentials, such as a law degree or accreditation in property appraisal, unless the chairman could not find enough people with such qualifications to fill the panel.

**ARB composition.** While under current law the board of directors of the appraisal district appoints, by resolution, the chairman and secretary of the ARB, the bill would provide that the local administrative judge who usually appoints ARB members would appoint those officers.

The bill also would modify certain requirements relating to eligibility to serve on an ARB, including capping the number of terms that an ARB member could serve at three.

**Education and training.** The course that currently must be completed by ARB members before participating in ARB hearings would have to consist of at least eight hours of classroom training and education.

Continuing education would have to provide at least four hours of classroom training and education.

The bill would require that the training materials currently used to educate those who have agreed to serve as arbitrators under Tax Code, ch. 41A be freely available online and emphasize requirements on the equal and uniform appraisal of property. The comptroller could contract with a third party to create these materials, provided the program was not provided by an appraisal district or various related entities and did not cost more than \$50 to train each arbitrator. The comptroller also would be required to create an arbitration manual for use in training.

Under the bill, arbitrators also would be required to complete the existing course for training and education of ARB members.

**Appraisal district database.** Each appraisal district would be required to maintain a property database that was regularly updated, accessible to the public, and searchable by property address and owner. The database would be required to include certain information on each property in the taxing unit, as well as proposed tax rates, the rollback tax rate, the applicable no-new-revenue tax rate for each taxing unit, estimated tax burdens under several of those rates, and information about public hearings on a proposed tax rate.

Each taxing unit also would be required to post online certain information, such as the unit's proposed and historical budgets, historical tax rates, and the most recent financial audit.

A taxing unit other than a school district could not adopt a tax rate until the chief appraiser of each appraisal district covering the taxing district had complied with these provisions. A taxing unit also could not hold a public hearing on a proposed tax rate until the 14th day after complying with these provisions.

**Notification.** HB 32 would remove from the notice of appraised value the estimated tax due based on the previous year's tax rate. The bill also would change some required wording for notices of a public hearing on a tax increase and notices of taxpayers' right to a rollback election for

various taxing units. Specifically, the bill would rename the “effective tax rate” the “no-new-revenue tax rate.”

The bill would require appraisal districts to send to every property owner, by email or regular mail by August 7 or as soon as practicable thereafter, a notice containing a link to the appraisal district’s online database where the estimated tax due to each taxing unit could be found. The comptroller could adopt rules on the format and delivery of the notice.

**Tax rate adoption and reporting.** The bill would require taxing units to use an electronic form, prepared by the comptroller, to calculate and report to the comptroller the no-new-revenue tax rate and the rollback tax rate. School districts also would be required to use the form to calculate and report the rate to maintain the same amount of state and local revenue per weighted student that the district received in the previous school year.

Before a taxing unit could adopt a tax rate, an officer or employee of a taxing unit would be required to certify that the tax rates reported on the form were properly calculated using values on the unit’s certified tax rolls. While current law requires these rates to be either mailed to every property owner in the unit or published in a newspaper, this bill would allow the rates to also be posted prominently on the homepage of the taxing unit’s website.

The bill also would amend the procedures relating to an injunction from the collection of taxes. A taxpayer would have to file for an injunction within 15 days of the adoption of the tax rate and would not be required to pay the taxes imposed while the action was pending.

**Advisory board.** The bill would create the Property Tax Administration Advisory Board, composed of members appointed by the comptroller to advise the comptroller on state oversight of appraisal districts and make recommendations on the efficiency of the property tax system and complaint resolution procedures. Members would include representatives of property tax payers, appraisal districts and taxing units, and a person with knowledge in conducting ratio studies. The board’s recommendations would be posted on the comptroller’s website.

The bill would eliminate the comptroller's Property Value Study Advisory Committee.

**Effective dates.** Provisions of this bill would take effect on various dates. Except as otherwise provided, the bill would take effect January 1, 2018.

**SUPPORTERS  
SAY:**

HB 32 would improve transparency and reduce confusion among taxpayers about where their tax revenue goes and which local representatives are responsible for raising the tax burden – without imposing an undue hardship on taxing units and appraisal districts.

**ARB hearing procedures.** The bill appropriately would disallow taxing units from protesting the level of appraisal for an entire category of property because that mechanism is seldom used and rarely successful. Its elimination would not cause a significant unfair shift of the tax burden onto other property owners because it already has a limited impact. The use of this mechanism has proved onerous and impractical, making it advantageous to remove this authority.

**Special ARB panels.** The bill would provide for the creation of a special ARB panel for high-value properties in populous districts, which would have more stringent standards for its members than other ARB panels. This would ensure that any protests on properties with the greatest effect on taxing units' budgets were subject to the best possible standard of review, potentially reducing litigation as more cases would be resolved on the administrative level.

These panels would be designed to streamline protests by handling the most valuable property. Expanding eligibility for these panels to properties worth less than \$50 million merely would reduce the effectiveness of this streamlining.

**ARB composition.** Reassigning responsibility for appointing ARB officers to a judge would ensure the most qualified individuals were appointed and would add to the ARB's credibility because a judge is a more independent source of oversight than a district's board of directors.

**Education and training.** Taxpayers sometimes question the

qualifications or impartiality of ARB members, which HB 32 would address by boosting educational and training standards. Arbitrators also would be required to go through additional and more specialized training, which could reduce litigation through greater confidence in arbitration.

**Appraisal district database.** The mandates imposed by HB 32 would be slight but would provide valuable information to taxpayers in a more accessible manner. Most taxing units and appraisal districts already maintain the necessary infrastructure, including a property database, and comply with at least some part of the proposed reporting requirements, so this would not impose a substantial burden on local governments. Moreover, this database would prove invaluable to informing taxpayers, on a personalized basis, what the adoption of tax rates by specific districts means for them.

**Notification.** Under current law, appraisal districts are required to notify property owners of their estimated tax due, using the previous year's tax rates. This has proven confusing on many levels because it creates an appearance that the appraisal district is responsible for setting the tax rates. Even though the notice says it is not a tax bill, it is frequently mistaken for one. HB 32 would eliminate this confusion, instead requiring a notice that would direct the taxpayer to a database that clearly laid out which taxing units were responsible for each part of the property tax burden.

Additionally, changing the name of the effective tax rate to the "no-new-revenue" rate would more clearly convey the rate's meaning, allowing taxpayers to more clearly see whether or not the actual property tax rates, set by the taxing districts and not the appraisal districts, had increased.

**Tax rate adoption and reporting.** HB 32 would increase local government transparency by requiring most taxing units to publish on the internet basic information about their finances and tax rates. The comptroller's form also would dictate the calculation of the no-new-revenue rate, ensuring that the calculation is properly made.

OPPONENTS  
SAY:

While HB 32 contains important changes that could improve transparency, the Legislature should be careful to maintain the

independence of ARBs and avoid saddling appraisal districts with administrative and reporting burdens.

**ARB hearing procedures.** HB 32 should not prohibit taxing units from protesting categories of appraisals, which is the only safeguard that currently exists against appraisals that are too low. This could drive down values in certain categories of appraisals as property owners use low appraisals as comparables, unfairly shifting the tax burden onto other property owners.

**ARB composition.** Under the bill, ARB officers no longer would be appointed by the district's board of directors and instead would be appointed by the administrative judge responsible for the appointment of board members. However, the administrative judge might not have the necessary information to assess the officers' effectiveness. The district's board of directors is better positioned to ensure taxpayer money is used effectively.

OTHER  
OPPONENTS  
SAY:

**Special ARB panels.** The bill should be expanded to increase the types and values of property eligible for the special ARB panels to ensure that the valuations are as accurate as possible. The limit could be reduced from \$50 million, as in the current bill, to as little as \$20 million, or be amended to include protests on the valuation of mineral rights. Additionally, because of the advanced qualifications required for these special panels, ARBs might need to provide additional compensation to attract members.

NOTES:

According to the Legislative Budget Board's fiscal note, the bill would have a negative impact of \$1.03 million on general revenue related funds through fiscal 2018-19.

SUBJECT: Allowing appraisal review board to make changes to appraisal records

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — D. Bonnen, Y. Davis, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Bohac, E. Johnson

WITNESSES: For — Diana McDonnell; (*Registered, but did not testify*: Peggy Venable)

Against — (*Registered, but did not testify*: Tom Tagliabue, City of Corpus Christi; Guadalupe Cuellar, City of El Paso)

BACKGROUND: Tax Code, sec. 25.25(c) authorizes an appraisal review board (ARB), on motion of the chief appraiser or of a property owner, to direct by written order changes in the appraisal roll for any of the five preceding years to correct:

- clerical errors that affect a property owner's liability for a tax levied in that tax year;
- multiple appraisals of a property in that tax year;
- the inclusion of property that does not exist in the form or at the location described in the appraisal roll; or
- an error in which property is shown as owned by a person who did not own the property on January 1 of that tax year.

Sec. 25.25(d) allows a property owner or the chief appraiser to file a motion with the ARB to change the appraisal roll to correct an error that resulted in an incorrect appraised value for the owner's property. The error may be corrected only if it resulted in an appraised value equal to more than one-third of the correct appraised value. Sec. 25.25(e) entitles a party bringing a motion to a hearing on and a determination of the motion by the ARB if the chief appraiser and the property owner do not agree to the correction before the 15th day after the date the motion is filed.

**DIGEST:** HB 155 would allow the appraisal review board (ARB), on motion of the chief appraiser or a property owner, to direct by written order changes in the appraisal roll or related records. The board could order the appraised value of the owner's property in the current tax year and either of the two preceding tax years to be changed to the sales price of the property in the current tax year if, for each tax year for which the change would be made:

- the property qualified as that owner's residence homestead;
- the sales price of the property was at least 10 percent less than the property's appraised value; and
- the board determined the sales price reflected the property's market value.

If the chief appraiser and the property owner did not agree to the correction before the 15th day after the date the motion was filed, the bill would entitle the party bringing the motion to a hearing on and a determination of the motion by the ARB.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect on the 91st day after the last day of the special session. It would apply only to a motion to correct an appraisal roll filed on or after the effective date.

**SUPPORTERS SAY:** HB 155 would establish another mechanism through which property owners could petition for a reduction in the appraised value of their homes. It would allow taxpayers to recoup monetary losses if their home sold for less than the appraised value, which would help restore fairness in the appraisal process.

**OPPONENTS SAY:** HB 155 is unnecessary because there already is a thorough process for property owners to appeal the appraised value of their residential homesteads. Applying retroactive corrections to residential property values would reduce property tax revenue available to cities, counties, and school districts.

**NOTES:** According to the Legislative Budget Board's fiscal note, HB 155 would

have a negative impact of about \$5.1 million to the Foundation School Fund during fiscal 2018-19.

**SUBJECT:** Entitling property taxpayers to appeal certain matters to district court

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 9 ayes — D. Bonnen, Y. Davis, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Bohac, E. Johnson

**WITNESSES:** For — (*Registered, but did not testify*: Betsy Price, City of Fort Worth; David Mintz, Texas Apartment Association; James LeBas, TXOGA, Texas Association of Manufacturers, Texas Chemical Council)

Against — Kirk Swinney; (*Registered, but did not testify*: Adam Cahn, Cahnman's Musings; Jason McElvaney, Harris County Appraisal District; Brent South, Texas Association of Appraisal Districts; Dana Blanton)

**BACKGROUND:** Tax Code, sec. 42.01 entitles a property owner to appeal certain appraisal review board (ARB) decisions to a district court, including those decisions relating to the appraised value of a property.

**DIGEST:** HB 165 would allow property owners to appeal to a district court a determination that an appraisal review board lacked jurisdiction to make a final decision on a property owner's protest or on a motion to correct an appraisal roll because the owner failed to comply with a requirement in the statutes. If a property owner established in court that the ARB had jurisdiction, the property owner would be entitled to a final determination by the court. In the case of a protest, a final determination could be made on any ground of protest, regardless of whether it was included in the initial notice of protest.

If an appeal dealt with the failure of a property owner to exhaust administrative remedies, courts could send the action back to the ARB with instructions to allow the owner to exhaust the administrative remedies. If a matter were sent back to the ARB, it would be considered a

timely protest, and the ARB would be required to schedule a hearing and issue a written decision on the matter. That decision could be appealed to the court that remanded the matter to the ARB. Both parties could, with the court's approval, agree to waive the remand of the action and allow the court to determine the appeal.

The bill would take effect January 1, 2018, and would apply only to appeals filed on or after that date.

**SUPPORTERS  
SAY:**

HB 165 would help level the playing field for property owners appealing appraisal review board (ARB) decisions by ensuring that they have recourse in all disputes. Currently, taxpayers can appeal an ARB decision only to be told that the board lacks jurisdiction because the taxpayer did not exhaust all the available administrative remedies, in some cases because the taxpayer missed a deadline. Under current law, the taxpayer cannot appeal this decision and is left with no way to resolve the original issue being protested.

HB 165 would address this problem by allowing a taxpayer to appeal to a court when an ARB claimed that the taxpayer had not exhausted administrative remedies. The court could send the matter back to the board, and the property owner could cure the failure to exhaust administrative remedies. The ARB could then hold a hearing and deal with the substantive issue being raised. By allowing appeals to a court, HB 165 would treat such cases the same way appeals of other orders are handled and would give courts final jurisdiction on all matters related to taxing a property owner.

Taxpayers, large and small, want issues with ARBs resolved in a timely manner before they pay taxes, so they would have no incentive to delay filing an appeal authorized by the bill.

OPPONENTS  
SAY:

HB 165 would open the door too wide in allowing property owners to appeal to courts after an ARB determination that administrative remedies had not been followed without imposing appropriate deadlines. Currently, appeals by property owners must be pursued through administrative remedies according to certain deadlines. This ensures that taxing entities know what is being disputed as they create their budgets. HB 165 would expand the types of appeal that property owners could make without imposing a specific deadline, which could introduce uncertainty in a taxing entity's budget process, especially if a protesting taxpayer had a large tax obligation.

Current law works well to give property owners options to appeal decisions of ARBs, including through the courts after they have exhausted their administrative remedies and, in some cases, to compel a hearing.

NOTES:

According to the Legislative Budget Board's fiscal note, HB 165 could impose increased costs to the Foundation School Fund to the extent that taxable property values were reduced as a result of the revised appeals process in the bill.

**SUBJECT:** Limiting a chief appraiser's authority in certain circumstances

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 9 ayes — D. Bonnen, Y. Davis, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Bohac, E. Johnson

**WITNESSES:** For — (*Registered, but did not testify*: David Mintz, Texas Apartment Association; Felicia Wright, Texas Association of Builders; James LeBas, TXOGA, Texas Association of Manufacturers, Texas Chemical Council)

Against — Alexie Swirsky; (*Registered, but did not testify*: Adam Cahn, Cahnman's Musings; Tom Tagliabue, City of Corpus Christi; Guadalupe Cuellar, City of El Paso; Jim Allison, County Judges and Commissioners Association of Texas; Alma Moreno, San Patricio County; Dana Blanton)

**BACKGROUND:** Tax Code, sec. 23.01, which governs appraisals of taxable property, requires that all taxable property be appraised at its market value as of January 1, with certain exceptions.

Tax Code, Title 1, subtitle F includes procedures for property owners to protest property valuations, including appraisal review board hearings and appeals.

**DIGEST:** HB 192 would change the evidentiary standard required to support a chief appraiser's decision to increase the appraised value of property for the tax year following the tax year in which that property's appraised value was lowered through the review process contained in Tax Code, subtitle F. The standard would be changed from the current "substantial evidence" to a standard of "clear and convincing evidence."

The bill would take effect January 1, 2018, and would apply only to property appraisals for a tax year beginning on or after that date.

**SUPPORTERS  
SAY:**

HB 192 would protect taxpayers who had protested successfully or appealed their property's appraised value in one year from having the property's valuation increased the next year. The bill would prohibit a chief appraiser's ability to increase the value in the subsequent year absent "clear and convincing" evidence supporting the higher value. This requirement would promote transparency and confidence in the state's property tax system. The bill would not prevent a chief appraiser from increasing a property's value if the appraiser was able to present strong evidence for the valuation increase.

**OPPONENTS  
SAY:**

HB 192 would put an unreasonable evidentiary burden on appraisal districts, particularly in areas where property values are increasing rapidly. The requirement for "clear and convincing" evidence, which is similar to the highest criminal law standard of "beyond a reasonable doubt," is not a practical standard for appraisers who must determine property valuations that can vary widely from year to year.

**NOTES:**

According to the Legislative Budget Board's fiscal note, to the extent that taxable property values were reduced, HB 192 could result in increased costs to the Foundation School Fund.

**SUBJECT:** Expanding eligibility for funds to offset exemptions for disabled veterans

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 9 ayes — D. Bonnen, Y. Davis, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Bohac, E. Johnson

**WITNESSES:** For — Jerry Bark, City of Harker Heights; Hilary Shine, City of Killeen; *(Registered, but did not testify:* Tom Tagliabue, City of Corpus Christi; Guadalupe Cuellar, City of El Paso; Eric Glenn, City of Killeen; Jim Allison, County Judges and Commissioners Association of Texas; Alma Moreno, San Patricio County; Grover Campbell, Texas Association of School Boards; Colby Nichols, Texas Rural Education Association and Texas Association of Community Schools; Diana McDonnell; Alexie Swirsky)

Against — *(Registered, but did not testify:* Adam Cahn, Cahnman's Musings; Dana Blanton)

**BACKGROUND:** Tax Code, sec. 11.131 entitles 100 percent disabled veterans and qualifying surviving spouses to a total residence homestead exemption.

Local Government Code, sec. 140.011 provides assistance to local governments disproportionately affected by the provision of homestead exemptions to 100 percent disabled veterans. Municipalities adjacent to a U.S. military installation or counties in which a U.S. military installation is wholly or partly located qualify for assistance. A qualified local government may receive assistance if it loses at least 2 percent of its general fund revenue due to the exemption.

**DIGEST:** HB 74 would amend the eligibility for assistance provided under Local Government Code, sec. 140.011 to include a municipality located wholly or partly in a county in which a U.S. military installation was located,

instead of a municipality adjacent to a U.S. military installation.

The bill would take effect December 1, 2017, and would allow any newly eligible locality to apply for assistance beginning with the fiscal year that ends in the 2017 tax year.

**SUPPORTERS  
SAY:**

HB 74 would benefit cities near military bases that are disproportionately impacted by the requirement to extend homestead exemptions to totally disabled veterans but that do not qualify for state assistance under current law. Because veterans frequently choose to live in localities near military bases after leaving the armed services, smaller cities such as Harker Heights can be particularly affected by the reduction in property tax revenue. Harker Heights loses more than 5 percent of its total general fund revenues due to this exemption, which is more than several other localities that currently qualify for state assistance. However, the city does not receive assistance because it is not adjacent to Fort Hood, even though it is only 1.5 miles away. HB 74 would allow Harker Heights to qualify and receive needed assistance, ensuring fairness in helping cities that are disproportionately impacted by property tax relief for disabled veterans.

This bill would not increase the cost to the state, as it merely would allow Harker Heights and similarly situated cities to qualify for a program funded by existing appropriations. The program is not designed to cover the full cost of the exemption but only to compensate localities that are disproportionately affected. The changes proposed in HB 74 would not compromise the program's ability to fulfill this purpose.

**OPPONENTS  
SAY:**

HB 74 would expand eligibility for assistance without increasing the appropriation for reimbursements, making fewer funds available for other qualifying localities. While Harker Heights and other cities in need should be afforded some form of assistance, the Legislature should increase funding for the program before expanding eligibility. Funding is stretched thin and is not sufficient to cover the cost of the exemption, a situation that is likely to grow worse as veterans age and populations of disabled veterans increase.

NOTES: A companion bill, SB 63 by Buckingham, was filed in the Senate on July 18.

SUBJECT: Creating homestead exemption for Purple Heart recipients and spouses

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — D. Bonnen, Bohac, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

2 absent — Y. Davis, E. Johnson

WITNESSES: For — (*Registered, but did not testify*: Alexie Swirsky)

Against — Hilary Shine, City of Killeen; (*Registered, but did not testify*: Adam Cahn, Cahnman's Musings; Jerry Bark, City of Harker Heights; Eric Glenn, City of Killeen; Dana Blanton)

On — (*Registered, but did not testify*: Aaron Bovos, City of Fort Worth, Texas)

BACKGROUND: Tax Code, sec. 11.131 entitles a 100 percent disabled veteran or the surviving spouse of a 100 percent disabled veteran who has not remarried to a total residence homestead exemption.

Local Government Code, sec. 140.011 entitles a local government to receive a disabled veteran assistance payment from the state if the comptroller determines that the local government's amount of property tax revenue lost to total homestead exemptions for 100 percent disabled veterans is at least 2 percent of its general fund revenue for the fiscal year.

Tax Code, sec. 11.22 provides a partial exemption to taxation on one property owned by a disabled veteran, surviving spouse, or minor children. The amount of the exemption is determined by the veteran's disability rating, age, and type of disability, up to \$12,000 of the assessed value of the property.

DIGEST: HB 72 would create the Purple Heart Homestead Act and entitle a

recipient of the federal or Texas Purple Heart Medal to a total exemption from property tax on his or her residence homestead.

The bill also would entitle the surviving spouse of a Purple Heart recipient who qualified for the exemption at the time of the recipient's death to continue receiving an exemption on the same property, provided that the spouse had not remarried, the property was the residence homestead of the surviving spouse when the recipient died, and the property continued to be the residence homestead of the surviving spouse. The exemption also could follow the surviving spouse to a new homestead but would be limited to the dollar amount of the exemption for the former homestead in the last year it was received.

Local government disabled veteran assistance payments would be renamed military exemption assistance payments, and a local government would qualify for a payment if its amount of property tax revenue lost to total homestead exemptions for both 100 percent disabled veterans and Purple Heart recipients was at least 2 percent of its general fund revenue for the fiscal year.

HB 72 would take effect January 1, 2018, contingent on voter approval of the constitutional amendment proposed by HJR 20 by Bohac, authorizing the Legislature to provide a residence homestead tax exemption for Purple Heart recipients and their surviving spouses. It would apply to a tax year beginning on or after that date.

**SUPPORTERS  
SAY:**

HB 72 would signal that Texas honors the sacrifices of its Purple Heart recipients by entitling those recipients and their surviving spouses to the same homestead exemption currently afforded to 100 percent disabled veterans and their surviving spouses. Many veterans who received the Purple Heart were seriously wounded serving the country, and those who are not 100 percent disabled deserve property tax relief for their service beyond the exemption amounts available for partially disabled veterans, which are capped at \$12,000 under current law.

The bill would not burden military communities but would resolve some of the disproportionate impact these communities face from military homestead exemptions by making it easier for them to qualify for state

assistance payments. Currently, to qualify for a state assistance payment, a local government must demonstrate that it lost at least 2 percent of yearly property tax revenue to homestead exemptions for 100 percent disabled veterans. The bill would entitle a locality to receive a state assistance payment if it lost at least 2 percent of yearly property tax revenue to homestead exemptions for both totally disabled veterans and Purple Heart recipients.

**OPPONENTS  
SAY:**

HB 72 would place a requirement on local governments that could disproportionately harm military communities by allowing for further erosion of local government property tax bases. Exempting a specific category of people, regardless of how deserving they may be, results in an increased tax burden on other homeowners.

**NOTES:**

HB 72 is the enabling legislation for HJR 20 by Bohac, which is set for second-reading consideration on today's Constitutional Amendments Calendar.

According to the Legislative Budget Board's fiscal note, HB 72 would have no impact in fiscal 2018, but would have a negative impact of \$146,000 to general revenue related funds in fiscal 2019, with costs increasing to \$36.8 million in fiscal 2020, \$39.3 million in fiscal 2021, and \$42.1 million in fiscal 2022. The bill is projected to have a negative fiscal impact of \$9.8 million on units of local government in fiscal 2019.